

Single-Family Housing

Section 502

Direct Loans

PROGRAM DESCRIPTION: A direct home loan program for very-low and low income families seeking financing to purchase a new or existing dwelling.

TYPE OF ASSISTANCE: A subsidized housing program offering loan benefits such as:

- Down payment assistance to enable purchase with a loan through a private lending source (USDA Rural Development accepts a junior lien behind the primary lender).
- Sole source of assistance. Sole source assistance is limited to families who are unable to obtain any part of the needed credit from another lending source.

ELIGIBILITY REQUIREMENTS: Applicant family must:

- Have an acceptable credit history.
- Have an adequate and dependable income not exceeding 80 percent of the county median income.
- Have repayment capacity to service any existing obligations and the home loan request.
- Be without adequate housing.
- Be a citizen or a non-citizen admitted to the United States of America for permanent residence or on indefinite parole.
- Have the ability to personally occupy the home on a permanent basis.
- Be located in an eligible rural community.

FUND AVAILABILITY AND MAXIMUM AMOUNTS: Funding is based upon an annual appropriation. Loans may be for an amount up to 100 percent of the appraised value of the property. Loans may also be subsidized. The maximum purchase price and/or loan amount differs per county (visit www.rurdev.usda.gov/az/housing).

INTEREST RATE: Interest rates are fixed. Most loans are made with a subsidy provision to enhance affordability. When a subsidy agreement is in effect, the interest rate may be reduced for qualifying families to as low as 1% APR on USDA Rural Development's loan or portion of the loan. The subsidy agreement is based on a family's income and other borrower characteristics. The subsidy is subject to change annually to reflect changes in the borrower's situation. Subsidy agreements may be renewed indefinitely. Subsidized loans are subject to recapture for a portion of the subsidy granted when the property is either sold or no longer used as a home for the borrower.

Terms: Maximum repayment period is typically 33 years. However, 30- and 38-year terms may be provided depending on applicant qualifications and security offered.

COLLATERAL: Mortgage on real estate financed.

CREDIT REQUIREMENTS: Applicant family must have a credit record that reflects a history of meeting obligations as they become due.

CONTACT: Visit or call your local USDA Rural Development office for an application.